

Company: StarHub
Title: First Quarter 2017 Results
Date: 3 May 2017
Time: 6:00 PM SGT

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Eric Loh: Ladies and gentlemen, welcome to StarHub's first quarter 2017 results announcement. My name's Eric and with me this evening we have the CEO, Tan Tong Hai; the CFO, Dennis Chia; the CMO, Howie Lau and our latest addition to the management team, Dr Chong Yoke Sin. She's the Chief of the Enterprise Business Group. And just to tell you three facts about her, number 1, she has over 30 years of experience in the IT industry. Number 2, she was the former CEO of Integrated Health Information Systems and she was also the former CEO of National Computer Systems.

Now with that, I'm going to hand over the mike to Tong Hai to walk us through the first quarter highlights.

Tong Hai Tan: Thanks, Eric. Let's look at slide 5, which gives you the overview of how we performed in the first quarter 2017. Total revenue is stable, service revenue decreased 1%, EBITDA decreased 12% and EBITDA margin at 29.9%, higher than what we've guided at between 26% to 28%. Net profit after tax decreased 21%. If we look at the operational stats, we have revenue growth in broadband and enterprise fixed, subscriber growth in both pre- and post-paid and across all our business units we have low churn rate of 0.9%.

Slide number 6 shows you the key financial highlights. Here you can see that actually the EBITDA is lower by 12%, mainly because we have less adoption grants, as well as higher subsidies, handset subsidies, in this quarter. EBITDA margin at 29.9%, higher than what we've guided at between 26% to 28%. And the percentage of CapEx to revenue is at 5.7%, much lower than what we've guided at 13% without the spectrum. But we expect this will catch up in subsequent quarters. Free cash flow, fully diluted shares at \$0.067 and net debt to EBITDA at 0.88x.

Slide 7 shows you the breakdown in revenue contribution by the various product lines. You can see that mobile services has a drop of 1.9% and 0.6% is a \$1.9 million drop, mainly due to less IDD calls and roaming services. Then Pay TV, that's a drop of \$6.5 million, mainly due to less subscriber base. Broadband is slightly higher at \$0.2 million, that is we have a higher take-up of broadband services, especially in the higher speed plans. Enterprise fixed services, we still see steady growth, in fact there is a \$2.9 million increment year-on-year and that resulted in a total revenue, service revenue, there's a drop of \$5.3 million. You can see that the main contribution for this drop is actually coming from the pay TV, with the drop of \$6.5 million. Now this quarter, there is higher sales of equipment compared to a year ago, resulting in the total revenue, there is a slight increase of \$1.4 million.

If you look at slide number 8, it will show you the revenue mix and you'll notice that mobile services is still around the 50% mix. Pay TV has dropped from 16.1% to about 15%, which is close to a percentage point drop. Broadband services remains almost the same level as a year ago, whilst enterprise fixed services have actually increased to 16.7%. So there is also a 1% increase in the sales of equipment, but you can see that clearly the enterprise fixed services is really the second largest revenue contributor and it is also driving our growth in terms of future revenue growth.

With this, I want to pass the time over to Dennis to cover the financial highlights. Dennis, over to you.

Dennis Chia: Thanks, Tong Hai. Moving onto our EBITDA for the quarter, it stood at \$161 million, or 29.9% compared to \$183 million a year ago, or 33.8%. The low EBITDA was due to a number of factors. (1) The lack of the income grant, which we received in the quarter 1 2016. (2) The relatively higher CPE subsidies, due to the number of handsets

that were sold in quarter 1 of 2017. (3) The lower service revenue recorded in the quarter. (4) The higher cost of sales during the quarter. This was offset by the lower operating expenses that we recorded in the current quarter.

Moving on to the cost of sales, our cost of sales for the quarter was at \$260 million, compared to \$230 million a year ago. The increase in the cost of sales was due to the higher cost of equipment, in line with the higher revenue recorded in the sales of equipment, as well as cost of services due to the NGNBN payments for the migration of our fibre, as well as our cost of content. This is offset by a lower traffic cost in line with the lower usage of international and domestic volumes.

Moving on to operating expenses, for the quarter it was at \$239 million, compared to \$256 million a year ago. The lower operating expenses are primarily in the repair and maintenance, as well as payroll exchange gains recorded in the quarter. This is offset by higher license fees, higher depreciation and high allowance for doubtful debts. We also recorded lower marketing and promotion expenses during the quarter.

Our net profit for the quarter was at \$73 million, or \$0.042 on an EPS basis, compared to \$93 million a year ago. The net profit was lower due to the lower EBITDA, as well as higher interest expense during the quarter. Our effective tax rates remain at approximately 17%.

CapEx payments were at \$34 million, or 5.7% of total revenue, compared to \$42 million a year ago, or 7.1% a year ago. As with prior quarters, Q1 CapEx payments are seen as seasonally lower for the year.

Finally, on the free cash flow, we generated \$117 million of free cash flow during the quarter, or \$0.067 per fully diluted share, compared to \$90 million a year ago. The FCF was higher due to the lower CapEx payments and payroll working capital changes that we recorded in the quarter.

And with that, I hand this over to Howie Lau, our Chief Marketing Officer.

Howie Lau: Thanks Dennis. First of all, thank you so much for joining us this evening. I will take you through the business updates for mobile, the pay TV, as well as the broadband business. So let's start with mobile on page 17. Our total customer base expanded by 93,000 and the ARPU for the post-paid decreased \$2 to \$67.

Let's go to the next couple of pages and I'll give you a bit more colour. If you go to page 18, the overall mobile customer base, we closed quarter 1 at 2.291 million, of which we saw a quarter-to-quarter increase of post-paid by about 6000, which is about 48,000 year-on-year increase. We also saw an increase year-on-year for our pre-paid. The pre-paid on the quarter-to-quarter, we saw a decline of 21,000. This is largely due to expiry, the six-month expiry of the tourist cards.

Going to page number 19, you will see that the churn for quarter 1 was at 0.9%, which is lower than quarter 4 and stable compared to a year ago, which is also 0.9%. So churn remains stable at 0.9% for the mobile business.

Mobile revenue on page 20, we closed the quarter 1 at \$296.2 million. This was what we saw, higher revenue from subscription and from data and 4G tiered plans. This was impacted by lower roaming revenue. The total of 4G tiered plans increased to 67.8%, compared to a year ago of 65.4%.

On page number 21, you will see that the pre-paid revenue remains at \$15 and we closed quarter 1 to post-paid ARPU at \$67. The data usage per user, per month has increased to 3.9 gigabytes and this is compared to 3.1 gigabytes about a year ago. The percentage of our customers exceeding the primary data plan for quarter 1 was 31.8%, compared to 30.3% in quarter 4. We have also in the quarter announced the new products, like DataJump, which is targeted at giving our customers more options on data.

So if we jump to page number 23, on pay TV, the revenue decreased by 7%, while holding ARPU stable at \$51. Our customer base has dropped by 41,000 on a year-to-year comparison.

If you look at page number 24, we closed quarter 1 at 487,000 subscribers. Similar to previous quarters, this has continued to be impacted by piracy as well as of the viewing means available to customers. The churn for customers, the monthly churn remains at 0.9%, which is similar to quarter 4 last year.

Page 25, on the TV revenue and ARPU, we closed quarter 1 at \$88.4 million. This is lower than quarter 4, which is seasonally higher, as we have some more additional ad sales in quarter 4, but this is also as a result of the lower subscriber base and the subscriber revenue. We maintain our ARPU at \$51.

Moving to broadband, if you go to page number 27, the revenue remains stable. ARPU has increased by \$1 to \$37. The customer base has decreased by 3000.

A bit more colour on page 28, while we closed the quarter 1 at a total of 470,000, our fibre growth has increased to 370,000. This is compared to a year ago of 298,000 and quarter 4 of 363,000. The churn remains stable, as we continue our ongoing retention efforts and it remains at 0.9%.

Page number 29, on broadband revenue and ARPU, we closed the quarter 1 at \$53.7 million, which is similar to a year ago at \$53.5 million, but lower as compared to quarter 4 of \$54.2 million. The ARPU remains stable at \$37, as we continue to see customers migrating to higher speed plans. But at the same time, we do see segments of customers who value the MOL and cable plans that we offer.

So that hopefully gives you a quick summary of the mobile, pay TV and the broadband business. Let me now hand over the update to Dr Chong, who updates us on the enterprise fixed business.

Yoke Sin Chong: Thank you, Howie. I'm here to actually relate the enterprise fixed business performance for first quarter 2017. The data and internet revenue has increased by 7%, with voice revenue decreasing by 19%, due largely to reduction in the IDD calls and internet connect.

On the enterprise fixed revenue slide, first quarter we achieved \$98.7 million, as opposed to \$95.8 million in the last quarter - sorry, in the first quarter of 2016. And the breakdown can be found on slide 33, with a reduction in the voice revenue from \$13.7 million in first quarter 2016, to first quarter 2017, where we dipped to \$11.2 million, largely due to the two reasons I cited. However, on the data and internet side, revenues have increased from \$82.1 million in first quarter 2016, to \$87.5 million this year, in first quarter 2017.

And with that, I hand over the session to Tong Hai.

Tong Hai Tan: Thank you, Yoke Sin. For the 2017 outlook, if you look at chart number 35, we maintain service revenue to be about 2016 level, maintain EBITDA margin on service revenue to be between 26% to 28%, maintain cash CapEx to be about 13% of total revenue and this excludes spectrum payments. And we'll declare an interim quarterly dividend of \$0.04 per ordinary share for first quarter and we intend to pay a quarterly cash dividend of \$0.04 per ordinary share for full year 2017, for financial year 2017.

With this, I hand over the time back to Eric to handle the Q&A.

Eric Loh: Right, we will now open for question and answer. If you have a question for us, press star-one. If you want to withdraw your question, press star-two. First off the block, let's welcome Gopa from Nomura.

Gopa Kumar (Nomura Securities, Analyst) Thanks for the opportunity, I have three questions. Firstly, on the dividends, how do you think of the DPS from a three-year view? Do you think that it is sustainable in light of the spectrum placing in the auctions? Has that been factored into your guidance as well? That's number 1.

Second question is on the OpEx line. You had a few reclassifications and some one-time costs, et cetera. Excluding those, are the overall cost trends written what you had expected at the start of the year? Or is there any cost line there that is trending better or is trending worse than expectations?

Lastly, on the enterprise segment, it is growing but the rate of growth is only 3%. Are you happy with that sort of growth? Or is there any structural slowdown that you are experiencing in this business? Thank you.

Dennis Chia: Okay, hi. I'll go first, it's Dennis and I'll take your first two questions. On the dividend, the spectrum payment and in terms of the auction and the amount that we are looking to have to pay, it's obviously higher than what we anticipated. However, in line with the fact that this is a one-time event and this spectrum will last us for the next 15-16 years, we look at the overall operating cash flows on a three-year sustainable trend in terms of guiding our dividend per share is consistent with how the Company has been guiding the market up to this stage. So as of now, therefore, we maintain the dividend of \$0.04 per share for the quarter, as well as for the year and this has not changed with the current information.

On the operating expenses question, we have made some reclassifications, primarily on the marketing and promotions line. Even with the reclassification, we continue to experience efficiencies in our M&P, so this is something that we're driving and continue to drive as part of the overall operating expense management that the Company is looking at. And in terms of other operating line items, this is very much in line with our expectations at the start of the year and we had a reversal of approval no longer required on the staff cost line as well. So of this affected and the one-time event, backing up the one-time event offering, expenses are in line with our expectations.

Tong Hai Tan: With regards to your question on the growth in the enterprise segment of 3%, whether it is within our expectation, what I'd like to share with you all is that I would like to see a steady growth in the enterprise segment. So these are all recurring business revenues, this is not one-off. Because our main focus is really to have more managed services, as well as direct serving of the customers.

Now beneath this enterprise segment we do have a wholesale business, as well as our direct retail and you'll notice that actually for the wholesale, we wholesale to global carrier partners. This will be the likes of the international carriers who serve their global corporate clients. And that part of the business actually we face the same challenges in the things like the wholesale business, it's actually having a lot of intense price competition, because there are also other wholesale providers. But the retail part of our business where we are servicing the customer directly is actually growing steadily.

So the growth in the retail, direct customer relationship, the business has been offset by in a way the drop in the wholesale business and as a result, you'll see this higher growth rate. But what I would say is that over time we have actually grown the retail part of the business to be more than our wholesale business and that trend will continue and we hope that over time the wholesale portion will not be a significant part of our business. And that actually will translate to higher growth with our enterprise business.

Yoke Sin Chong: This is Yoke Sin here. To add to Tong Hai's point about the enterprise fixed services growth, we will be expanding the service range to include IT managed services and analytics, as well as the traditional industry solutions, that will complement our offering of the strong data analytics and the security services that we already have on hand.

Gopa Kumar: (Nomura Securities, Analyst) Thank you, can you remind us, is it possible to stress how much is wholesale contribution now?

Tong Hai Tan: No, I don't think we would like to share that, but I have shared that over the last 8 years I translated it from majority wholesale when I first joined the business was a lot of wholesale. Now we have majority the retail, but that would be something that I would want to accelerate the growth further, so that there will be less and less dependency on the wholesale. And also there is a lot of competitive pressure because there are also other providers who can service the enterprise, the global carriers.

Gopa Kumar: (Nomura Securities, Analyst) Thank you so much.

Eric Loh: Thank you. Next on the line is MC from Goldman Sachs.

Miang Chuen Koh: (Goldman Sachs, Analyst) Thank you. So I would like to delve a bit deeper into the cost items. Just to be clear on the staff costs, given the reversal in first quarter, is it fair to say the second quarter goes back to normal? Or are there actually more reversals and accruals to be expected?

And second question is provisions, that rose quite a bit year-over-year. Is that something we should extrapolate ahead and could you also explain a little bit behind why it grows so much?

And then thirdly, on other expenses, I think quite a bit of gain in FX. Can you also give some colour on what the FX relates to? Thank you.

Dennis Chia: Okay, hi, MC, this is Dennis. On your first point on the reversal of staff, staff costs really relates to a staff benefit that was no longer required, so that was reversed in Q1. We don't expect any other significant reversals in the rest of the quarters. We will as a matter of accounting practice continue to look at our books and as and when provisions or accruals are no longer required, would be reversing them. But as of now, that was the information we had to make that accounting treatment or that line item.

Going back to the point that you made on Q2 onwards, the staff costs will go back into normalised numbers. The provisions have gone up primarily for the enterprise. This is very much in line with the fact that there's been a higher portion of enterprise business. As a result, the proportion of corporate customers that we have, this is very much consistent with the trend of the allowances that we're seeing. You do not need to really extrapolate an amount into the subsequent quarters, as that provision that was the additional provision that was made in the quarter was specific provisions that we took, not general provisions.

And finally, for other expenses, there was a foreign exchange gain recognised in respect of mark-to-market on our financial instruments, on hedge contracts that we sold.

Miang Chuen Koh: (Goldman Sachs, Analyst) Thanks for the clarification. Maybe just one more thing on debt, a specific provision that you mentioned, was that specific to a particular industry or a particular customer?

Dennis Chia: Specific provisions in relation to specific customers. So it's not in relation to a vertical segment of public customers.

Miang Chuen Koh: (Goldman Sachs, Analyst) Okay, was it SME related?

Dennis Chia: No, it was not.

Eric Loh: Thank you, MC. Next let's welcome Piyush from HSBC.

Piyush Choudhary: (HSBC, Analyst) Hi, good evening, thanks for the opportunity. Several questions, firstly in the mobile, could you give your outlook on the competition in light of the higher spectrum cost which has now increased the capital line in the business? So how are you thinking and how should the industry be thinking about it?

In the mobile, you have also introduced recently the DataJump plan, so just curious about the timing of the launch, what length or what is the catalyst and what are the intended objectives?

Thirdly, on the spectrum, any update on the timeline of the lodgement of 700 and potential payment timelines? And when are you likely to use 2.5 gigahertz so as to augment capacity?

And lastly, if there is any update on MOU which you have signed with M1, any problems or whatever, thanks.

Dennis Chia: I'll take your question on the spectrum. As indicated earlier, obviously the amount that was eventually paid for the spectrum was higher than we anticipated and higher than prior auctions that were held in Singapore. We will, therefore, look at opportunities to optimise the capital expenditure to roll out the infrastructure in relation to the spectrum that we have obtained and to see how we can maximise the capital investments going forward.

The spectrum payments, in respect of the 900 megahertz and the 2.5 megahertz buckets that we were awarded, those are available this year and therefore, the payments in respect of those two buckets of spectrum will be payable this year. The 700 megahertz will be available sometime next year. The payment terms in relation to that will be six months prior to the availability of that spectrum, so it depends on when that is going to be, next year or the year after. So if you wind that back six months prior to the availability date.

Howie Lau: On the DataJump, I think our starting point has always been looking at the customer's needs and we obviously see that the customer data usage has gone up, compared to a year ago 3.1, now it's 3.9. So for us, the DataJump essentially is responding to what we think customers are looking for. And we wanted to create a plan that was simple enough to understand to say for \$10 more a month, that you could get as much as 20 additional gig, depending on the plan that you're on. So for this, this is essentially responding to customer trends and what customers have been telling us.

Tong Hai Tan: Now I will address two parts. For the spectrum, you asked whether we're going to use the 2.5 gig, which is the TDD spectrum. We believe that TDD spectrum is good for us to provide higher speed and better experience for customers in hotspots. So our priority really is to roll them out in the certain hotspots and prior to getting this spectrum, we actually registered a lot of TDD trials. And we already had some base stations out there in the TDD capability, so we would be able to use them when they are assigned to us, to improve the overall mobile experience.

With regards to the question on the MOU with M1, we're still in discussions. No further update as of now because we're still in discussion and if there's anything material, we will share it with all of you.

Eric Loh: Right, next on the line is Roshan from Bank of America.

Roshan Raj: (Bank of America Merrill Lynch, Analyst) Hi, thanks for the opportunity, two questions. First, any thoughts on partnering any MVNO?

Second, any colour you could give us on the CapEx strategy? I heard you talk about getting spectrum and then optimising that to manage your CapEx. So any sort of trend one should look forward in 2018 and beyond, that would be helpful.

My third is on trajectory for device subsidies. Should we expect in general the Q1 trend to continue in the subsequent quarters? Or Q1 was due to some specific handsets and to Q2 could possibly moderate? Yes, those are the questions.

Howie Lau: Okay, Roshan, this is Howie - let me just touch on the MVNO. I think for us, we're always looking at different options and routes in order to serve the different customer segments. So it's one of the things that we are looking at, but nothing specific to be able to share with you right now on the MVNO side.

Tong Hai Tan: It must make economic sense since MVNO is a wholesale arrangement. So the wholesale agreement must make economic sense to us. And also it must be able to service elements that we cannot serve ourselves. They have to be able to serve them better than us. Also some of our consideration and certainly we do view MVNO as another channel to go to market.

Dennis Chia: On your questions on CapEx and subsidies, the first question on CapEx, as you know, we have maintained our guidance on the BAU CapEx payments for 2017 at 13% of total revenue. As you're also well aware, we do not provide guidance on the CapEx trends going forward. CapEx payments for the current year are largely in relation to prior year commitments that were already made and as such, most of it would fall through or flow through to the rest of the year. Whatever reductions or optimisation efforts that we can make in the current year will flow through in the subsequent years. So that will be how you will look at CapEx payments and the trends and trajectories going forward.

In the first quarter of 2017, we had a fair amount of recontracting customers. As a result of that, we had higher handset subsidies that we experienced and recorded in the quarter. We are looking at fairly robust sales of the smartphones within the Singapore market and depending on customer demands which we will meet, we would capitalise on that to lock customers down in two-year contracts ahead of competitive pressures we expect handset subsidies to remain fairly high.

Tong Hai Tan: You know that this is also the year where two of the smartphone vendors are launching what we call the flagship products. So we expect that because of these two key vendors that are launching a flagship product, we expect that handset subsidy actually will remain high.

Roshan Raj: (Bank of America Merrill Lynch, Analyst) Okay, thanks for that. Just one follow-up on the MVNO segment, how would you describe the impact from CirclesLife on any of your services and in general, what's your feedback on the overall impact from CirclesLife on the industry?

And second one is on pay TV. If you just look at the trend overall, the number of subscriber losses seems to be rising over time. Are you looking at doing something differently to hold onto customers? Or do you just defend the current ARPU levels and let customers keep going out?

Howie Lau: Yes, Roshan, this is Howie. I think on the pay TV side, our focus remains the same in terms of making sure that we're able to focus on the margin. So on the pay TV basically a couple of actions, so obviously one is to make sure that we continue finding the right content at the right value that we're able to monetise for the customer. The second one is to work with the relevant stakeholders in terms of addressing the piracy growth in Singapore. And third, obviously for us to continue to build on the growth that we've already seen on the StarHub growth side. So the pay TV business is very focused around margin.

And your questions regarding the MVNO, as mentioned earlier, we always look at the different routes to serve the customer segments that perhaps we cannot serve well ourselves. I think key for us is balancing two things, one is how do we meet the customer needs in those segments that we can't serve as well. And second, whatever MVNO model we take has to be sustainable, because this is about creating something that's sustainable so that we don't have a situation where there are too many changes on the customer side. So there will be always different packages from MVNO competition. I think our starting point has always been what are our customers looking for from us and how do we best fulfil it in a sustainable manner.

Eric Loh: Thanks, Roshan. Next on the line is Ranjan from JP Morgan.

Ranjan Sharma: (JP Morgan, Analyst) Three questions from my side. Firstly, on TPG, are you seeing any activity from their side in terms of building out a network? And have they begun approaching the incumbents to gain access to their indoor networks? And also are there any regulatory obligations on the incumbents to provide access to TPG for the indoor networks? That's the first long question.

The second one is on the spectrum cost. If I can just understand, are the spectrum costs due in one lump sum payment? Or will that be over an instalment?

And lastly, on your residential broadband customers, what has been driving the decline in customers? And should we expect it to moderate in the near term? Thank you.

Howie Lau: Okay, Ranjan, this is Howie, let me take the residential broadband one first. Quarter-on-quarter we saw a decline of 3000, although we saw a good growth on the fibre side. So the fibre side continues to see a strong pickup. The broadband market remains competitive, with multiple options available in the market. I think for us, what we are focusing on is to make sure that the fibre plans that we put out to market continue to be valuable. We also do quite a number of the plans together with a hubbing proposition, because that remains popular with our customers. At the same time, we do recognise that the cable proposition, because of the ease of implementation and installation, remains also attractive for some different customer segments for different usage. So I think for us, key is that to continue making sure that we're competitive and able to grow the fibre and to be able to use our cable to address specific customer segments that see the value in it.

Dennis Chia: Okay, on the spectrum costs that we were awarded, the total amount was \$349.6 million to be exact. Of that, approximately \$68 million is in respect of the 900 & 2.5 gigahertz band. Those are - that payment of \$68 million is due this year and as mentioned earlier, the payment for the 700 band will be made six months prior to the date of availability of that spectrum, whenever that would be. So if the date of availability would be on 1 January 2018, then the payment would then be due six months prior to that, which is 1 July. If it falls somewhere in the second half of 2018, then the payment of that \$282 million will be due sometime in the beginning of 2018.

Tong Hai Tan: With regards to TPG, certainly when there's a new player coming on board, we do take them seriously and we do monitor what's happening. But I will not be sharing with you what we have gained from our own intelligence. Certainly in terms of access to infrastructure, in building and all those, there's no mandate from the regulator that we must share. They can come and approach. In certain buildings where there's certain common access to infrastructure, they need to approach the three parties who were sharing, for example, the MRT tunnels and all those, those are common areas that we share. There is actually no mandated direction from the regulator that we have to share, but there is also a wholesale arrangement that we can always approach the players with the fibre to wholesale. So that is actually something that is a really pretty open market and TPG is free to approach any of the players to buy the backhaul business from the existing players.

Ranjan Sharma: (JP Morgan, Analyst) Well thank you for that, just one quick follow-up. So if I understand you correctly, you're saying that any of the operators can provide them services on commercial terms, but there is no regulatory obligation to open the network.

Tong Hai Tan: Yes, correct, yes.

Ranjan Sharma: (JP Morgan, Analyst) Can I understand then, if let's say a start-up shares its network with another player in the market, then they will be obligated to share with TPG as well, but they cannot discriminate against TPG?

Tong Hai Tan: No, there's no such - take for example, whatever we are discussing with the MOU with M1, that is between StarHub and M1 discussion. We are not mandated that we must open this up to the fourth operator.

Eric Loh: Right, next on the line is Arthur from Citigroup.

Arthur Pineda: (Citigroup, Analyst) Hi, thanks for the opportunity, two questions please. Firstly, can you talk about the margins for the enterprise segment? How do the margins on this side compare versus your traditional business?

Second question I had is with regard to your expectation on competition. I know everyone's been talking about mobile competition, I'm just wondering what your thoughts are on fixed line and broadband competition down the road. Do you expect TPG to make a big push on this as well when you do your budgeting? And do you think the price points are already too competitive at this stage?

The last question I had is with regard with the comments earlier on the push for IT managed services and analytics, to grow the enterprise segment. How does this impact profitability levels? Do we see immediate EBITDA accretion, or is there a scale-up phase where it initially drags on the profits? Thank you.

Tan Tong Hai: Okay. I have mentioned before that we have actually four main lines of business. Mobile gives us the highest margins, and enterprise fixed also gives us around the same kind of margins. The lower margins will be our broadband and also our TV business. They are not at the same ballpark level, so that is what I can share with you, that actually the enterprise fixed actually gives us pretty good margins. And that's the reason why we are driving the growth to support the growth in the profit.

Now, with regards to this push for the IT services as well as those data analytics will affect our margin, we see this as value-added services. Of course, there will be pull-through revenue for our fixed-line business as well as mobile business. Because typically, we can - we see this as a way to engage the customer at a C suite level and not just with the IT people. It's really how to help them to improve on their business efficiency and also how to help them to grow the business. So we see this as a value-added services on top of it.

The margin is not the same kind of margin that our fixed-line business has, but net-net, we also look at it from an overall account profitability, and that is how we're going to drive the business, not looking at just the product but looking at overall account profitability. Okay? Yoke Sin, you want to add something?

Yoke Sin Chong: Yes, to add to Tong Hai's point about the IT managed services having potentially lower margins, intrinsically it may be true, but our clients are actually looking more today for fixed lines together with managed services such as security and operations that go with it. So I think in order to be able to address the market and the clients' needs, we have to invariably get into the service. And this service actually, while we may think that it has lower margins, I think it is actually - it provides a start for us to get into a lot of the other industry solutions within the enterprise, and it allows us to actually scale up the value that we have or our clients.

So for example, today, we may actually be outsourcing a lot of these IT managed services to various partners. And therefore we may have a lot of point solutions, but however, we aggregate them together, while we still can work with our major partners, I think that provides a much better value proposition to our clients in the sense that we can now provide end-to-end services for our clients' consumption.

Tan Tong Hai: With regards to your question on the TPG competition and with regards to the fixed-line broadband, I would say that as of now, you can see that the broadband market is very competitive. We know what's the base cost, because each of us has to pay \$15 to NetLink Trust, which is really the publicly announced figure that all of us know the costs of the basic fibre. But you have to add on on top customer service, your Internet service and others, so you look at it as of now, I would say that the market is pretty competitive. But we do expect new players to come in, because it's quite easy to set up

this ISP business, and we will not be surprised to see them coming in to play in the fixed broadband market.

But I would like to say that that market is pretty competitive. And so that's why when we share that as of now, we have grown our fibre broadband share, it's actually not easy, considering the fact that it's highly competitive. But we will continue to make sure that our services, our broadband services, it's not just fibre. We also have our cable to provide dual broadband services, so that customers can have their always-on services. The team is also looking at smart life services beyond the basic access services. So we do think that there are other value-added services we can add on top to differentiate our service.

Eric Loh: Right. Sachin from DBS, you have a question for us.

Sachin Mittal: (DBS, Analyst) Oh yes, thank you. I understand that StarHub has some operating lease arrangement with one of your peers for possibly optical fibre, so when is it due for - is the contract due - it will be expiring soon, and that's question number one. Once - after expiry, do you plan to renew the contract, because there are options available to NBN and whatever, right? So what is your plan beyond expiry?

Tan Tong Hai: I think this is pretty confidential in nature as to what are our plans. As of now, you know that we do offer cable TV, as well as cable broadband on top of our fibre services, and yes, we do lease some of the fibre services from the existing players, but those terms are confidential and we can't share that.

Sachin Mittal: (DBS, Analyst) Okay, so the expiry - contract expiries are often not announced, is not public information?

Tan Tong Hai: Okay, you just have to know that as we offer this service, we do have kind of like - there's also regulatory requirements that you have to give your customers notification if you intend to stop any of this service. So as of now, we are offering all these services and we have not shared anything out in public. So it is still a service that we are offering the cable TV, as well as the cable broadband, though we have actually right now more fibre broadband subscribers than cable broadband, and we have also a growing base of IPTV customers on top of which is - which is on top of our cable TV.

There is of course the natural migration for customers who prefer to use fibre, but we also see a group of customers who are pretty loyal to our cable platform. So as of now, these services are still being offered, and there's no public announcement as to whether we have plans to discontinue them. So it is still something that we are offering to our customers, and there is contractual obligation, too, that one has to take note of.

Eric Loh: We have time for two more callers. Next on the line is Srinivas from Deutsche Bank.

Srinivas Rao: (Deutsche Bank, Analyst) Hi. Thank you very much. My first question is on your cost items. Would you suggest why cost of services has been higher on a year-on-year basis? And will the trend remain like this, or we should see a normalisation going forward? That's my first question. The second is on your pay TV business, which as you have highlighted in the past, is facing some headwinds. Based on your assessment and now that you have a fair amount of perspective from customer behaviour, would you expect or see further declines in the pay TV revenues? What for example happened to the broadband in the last couple of years? Is that something you anticipate? Those are my two questions.

Howie Lau: Hey, Srini. This is Howie. Let me just touch on the pay TV. As you alluded to, the TV industry is going through changes. I think besides the piracy and the alternative viewing means we also do recognise that in Singapore we have a bit like a two-speed type of population, where we have a group of customers who are still comfortable in a lean-back environment, watching the TV as it is today. So those are the customers that we have served well and we will continue to want to serve well. But at the same time, we also see customers who are now looking at alternative platforms like OTT, because they may want to watch certain things when they're on the move or in different environments, and that's where we try and serve them with our StarHub Go platform.

I think to take a crystal ball and gaze forward and say how will the trends pan out would not be something that we can talk

to, but we are obviously monitoring both very closely to make sure that we are able to provide the right platform and the content. And, as mentioned earlier, our focus is about making sure that the pay TV business is able to drive the margins for us.

Dennis Chia: On your question on the cost of services, the cost of services line comprised of three main components. One is the NGNBN costs in respect of the fibre migration for both residential and non-residential customers. They are payable to NetLink Trust. This is a variable cost which will correspond to the number of additional migrations that we will be making during the year. So this will be a variable number to the increase in revenue, as well. So that's the trend insofar as that line item is concerned.

The second component is in respect of the cost of services, primarily for managed services in the enterprise segment. So as the revenue for that segment goes up, then so will the corresponding variable costs for that segment, as well. The final component is in relation to the cost of content, and the cost of content is amortised based on the traction or trajectory of subscriber basis over a period of time. So given the trends that we're seeing in the subscriber base in the pay TV business, we have accelerated the amortisation of content costs in the earlier years of the content renewals.

Tan Tong Hai: I want to add a little bit on the pay TV side, just to share with all. The way that we look at the pay TV business is that margin is more important than anything else, how do we improve the overall margin. If you look at the stats itself, our churn rate remains relatively low at 0.9%, which means that we are still keeping our customers, and ARPU at \$51 shows you that we're still holding on to the high-margin customers in spite of the drop in subscriber base. And over time, we will also drop those nonperforming channels, and as we drop those nonperforming channels, corresponding the revenue will drop and some subscriber base also will drop.

So it may not be the right way to see the business purely from the revenue perspective or from the subscriber base perspective. I think you need to look at the churn rate, the ARPU. At the same time, are we improving the overall margin? Although we don't share the margin of the TV business by itself, but we look at it and say internally, that's our most important part is really to grow, improve on the margin of the pay TV business.

Srinivas Rao: (Deutsche Bank, Analyst) Understood. This is helpful. Just one more question I had. If I look at the rest of the ASEAN countries, countries like Thailand and Malaysia, the per-subscriber data consumption has actually gone up quite dramatically. It exceeds that of Singapore quite significantly, to be honest. Malaysia is access at five almost GB per sub. Again, AIS also at a very high level. One is we actually saw the per-subscriber data use is actually stalled for some time in Singapore and now it has grown but still remains quite less for the maturity of this current market, so why is that the reason? Do you think the context is that it is possible that when TPG comes and you will see larger data bundles, and that's where the competitive activity will go, and hence are you prepared for that?

Howie Lau: Hey, Srini. I think the different countries, obviously we have different consumption patterns, because I also note that in the Scandinavian countries, I think they're edging closer to 10 to 12 gigs per user per month. I think what we're focused on is - because we do see the growth. I think last year at this time was 3.1, now it's 3.9. We do expect the trajectory to continue going up, because the data consumption for different items will be there.

So for us, again, the starting point is monitoring this set of customer requirements and then making sure that our products cover everyone as well, whatever we're planning is able to meet those needs. But beyond offering data bundles, you'll probably be aware we also do things like zero rating the data of StarHub Go. So if you are a hubbing customer that has both StarHub Go as well as a mobile line, we know that the key consideration for anyone watching OTT content on the mobile phone is data. Because you are hubbing customers, we zero rate that for you. So that's something we monitor. We do see the growth, perhaps not as fast as Malaysia for perhaps demographic reasons.

Tan Tong Hai: But I think you have to look at each market differently. Take for example, in Singapore, there are a lot of Wi-Fi hotspots, and also the high-speed broadband for businesses as well as for home is very high. So the consumer typically

accesses Wi-Fi first, followed by the mobile 4G services. So that's why I think you have to look at the Wi-Fi market in each country. But then you will notice that even though with the proliferation of free Wi-Fi hotspots, they still need these mobile data services, because not all Wi-Fi hotspots provide the kind of consistent performance. And also for customers who want more secure communication, they still feel more comfortable using our mobile data services, because there are a lot of horror stories around free Wi-Fi.

But I would say that if you at the - as a whole, you have to look at the Wi-Fi availability across the country, the high-speed broadband, and relatively compare then, I think that will be a more apples to apples comparison.

Srinivas Rao: (Deutsche Bank, Analyst) Thanks. This is helpful. Just to clarify, when you report the 3.9 GB per sub, that includes the consumption of StarHub Go, right?

Tan Tong Hai: No.

Srinivas Rao: (Deutsche Bank, Analyst) I know it is zero rated for the customer, but is it part of the capacity calculation or not?

Tan Tong Hai: No, we don't include that.

Eric Loh: Prem from Macquarie, you have a question for us?

Prem Jearajasingam: (Macquarie, Analyst) Hi. Thank you for the opportunity. Just one simple question from me. With regards to the 700 megahertz spectrum, how important is the turning off of analogue TV in neighbouring countries to actually allow you and the other operators to actually access that 700 megahertz spectrum? Can you continue to use it if analogue TV, especially in the border areas, continues to exist?

Tan Tong Hai: I think this is something the regulator is working on to coordinate with the neighbouring countries, because Singapore is on track to switch off the analogue TV, and that's why we can re-farm this spectrum to be allocated to the operators, whilst the neighbouring countries, Malaysia and Indonesia, are still working on it. I understand that our regulator is working with the neighbouring countries, because surely they want to monetise this, because they already have auctioned it and they want to of course get us to pay.

But we will not pay unless it's available, right? So I do note that that requires coordination with the neighbouring countries. It's not something totally within the regulator's control. So this is something still not clear yet. If we get clearer picture, because we need the heads up on this is we say that we only pay - we had to prepare payments six months ahead of the availability of the spectrum, so we do know that at least the regulator will give us some - at least six months heads up so that we can pay them.

So yes, it's an issue, but we still haven't got the firm date as to when they're going to release the spectrum

Eric Loh: All right, our last caller for this evening is going to be from Credit Suisse, Varun.

Varun Ahuja: (Credit Suisse, Analyst) Yes, hi. Thanks for the opportunity. Just two questions from me. One is a housekeeping question. If you can give the percentage of data customers exceeding the data bundle based on old methodology, that will be helpful. Secondly and lastly, I believe you still draw revenue from voice over usage. If you can just share how much of your revenue still comes from customers exceeding the voice limits that you give, that will be helpful. Thank you.

Eric Loh: We're not providing the older numbers, so we've moved on to be in line with industry, who are providing a primary plan tiered number.

Varun Ahuja: (Credit Suisse, Analyst) Okay, and the second question..

Howie Lau: Yes, the voice exceeding part, unfortunately, Varun, we don't share that data as well.

Varun Ahuja: (Credit Suisse, Analyst) Okay, thank you, thank you.

Eric Loh: All right, thank you, ladies and gentlemen, for joining us this evening in our results conference call. We look forward to speaking with you once again in the next quarter. Goodnight.

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